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**OLD SCHOOL & HI-TECH CAN
TRANSFORM ENERGY EFFICIENCY**

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An old schoolyard dynamic can transform our approach to improving efficient energy use, savings hundreds of millions dollars annually and giving energy consumers more control, writes Terry Paddy of Cortexo.

When rubbish recycling was being pioneered in the city of Christchurch a decade or more ago, the scheme's architects noticed a strange dynamic. As an optional scheme, it was hard to get adoption going initially, but they noticed once three of four houses in a street started using the recycling bins, the rest of the street quickly followed.

In our school-yard days we called this peer pressure, but these days marketers call it 'social proof'. It's a fascinating dynamic that could be applied more in all kinds of resource saving areas, in particular the energy industry.

This is with good reason, as there is huge concern about both the rising consumption of power and the escalating cost of using it.

It is putting pressure on our wallets, stretching the electricity infrastructure (the generation and distribution network) to breaking point, and it is impacting our environment by forcing the consumption of fossil fuels to keep the lights on.

This problem is well understood, by everyone from the man in the street to the energy companies and the Government. A lot of work is being done to improve the performance of both the electricity market and come up with more efficient uses of energy.

For example, \$5 million is being put into the "what's my number" campaign over 3.5 years. Run by The Electricity Authority, an independent Crown entity responsible for the efficient operation of the New Zealand electricity market, the campaign is aimed at encouraging consumers to be proactive about evaluating their energy providers and switching.

Electricity Authority research has shown the propensity to switch is low, with only 5% of consumers typically looking at their options. The theory being this low level of competition doesn't keep enough pressure on costs and on the retailer to provide incentives to consumers to be smarter about their energy use.

The Energy Efficiency Conservation Authority (EECA) is also doing sterling work. Another government agency, its mandate is to promote energy efficiency, energy conservation, and the use of renewable sources of energy. With an annual budget of \$150 million, EECA runs a range of programmes aimed at consumers and businesses, and has made progress in improving awareness and action around efficiency.

Increasing energy efficiency could probably be achieved by mounting a multi-million dollar information campaign, a McDonalds or Coke style advertising blitz to motivate and inform us. But the cost of having to do that on a sustained basis wouldn't be economic, and would require on-going investment over years and years.

Also, these initiatives typically seek to convince people to save their energy for a variety of reasons. To save money - putting some extra cash in your wallet. To reduce the need for increased government spending on our energy infrastructure - reducing the overall cost to society. And the more emotional driver of lessening our impact on the environment, reducing the need to burn coal and other fossil fuels.

They are all worthwhile messages, delivered in effective ways, but there is something else, and that's this concept of social proof. Social proof has the potential to make a huge contribution to achieving energy efficiency at a very reasonable cost.

Social proof is defined in Wikipedia as "is a psychological phenomenon where people assume the actions of others reflect correct behaviour for a given situation." In layman terms it could be described as peer pressure, a keeping up with the Jones' phenomenon, or perhaps flocking together like sheep!

Basically it is the idea that we tend to look to others to determine whether our behaviour is appropriate, whether we are conscious of this or not. The concept was pioneered by a US psychologist called Robert Cialdini, author of the seminal book about influencing people INFLUENCE: The Psychology of Persuasion.

Cialdini initially tested the social proof concept in a series of hotels, where he tried variations on messages encouraging guests to reuse towels to save the environmental impact of cleaning them. He compared normal 'save the world' type messages against quite specific statements around what percentage of guests who used this particular room reused their towels, and found the latter over 30% more effective.

Using these insights he developed campaigns in the energy sector. Working with a Californian-based energy retailer, Cialdini developed an approach where individuals' household usage was analysed and compared to others in their neighbourhood, and then sent letters to the households showing them this information. They also supplied tips on how to do better if the person ranked below their peers.

This kind of social information hadn't been available before, and had a dramatic effect on energy use. Compared to consumers who didn't receive the comparison data, targeted households on average reduced their energy consumption by 2% over a year according to media reports. In energy saving terms that is a huge achievement, representing a substantial reduction in impact on the electricity grid.

Now the concept is being used in New Zealand by Meridian Energy, with a typical Kiwi twist of adding some innovation to the concept. Instead of sending consumers messages, Meridian is using Cortexo technology to provide their customers with a customised online service that provides a range of comparative data about their usage against people in their neighbourhood, city and even the country.

At the click of a button they get a lot of information about their consumption, and how it compares. They can also access information about how to improve their energy consumption from Meridian's website.

We call this the 'knowledge is less power' phenomenon. When given the right kind of information, people will make decisions that can benefit them and the environment, while taking pressure off our electricity network.

In a New Zealand context the savings Cialdini's experiment delivered translates into more than \$120 million per year, money that would flow into other parts of the economy. More than that it motivates consumers to take a more active interest in monitoring their energy use, purchasing smart appliances and even evaluating alternative energy sources.

Is this just good community service by Meridian? While Meridian is committed to being a good corporate citizen, there is a commercial benefit. By providing them with a useful service customers are less likely to leave to another provider.

The social proof approach has exciting possibilities for improving the efficient use of energy in New Zealand. We are adding ideas to our online service all the time, and see much more room to innovate in social media - those online communities where people are sharing and comparing all the time.

Energy price rises are inevitable, but we shouldn't despair. Innovative approaches to problems can deliver surprisingly good results. Pairing the old school concept of peer pressure with some smart technology can keep our energy future a little brighter.

[Terry Paddy is the Managing Director of Cortexo, an electricity monitoring provider, www.cortexo.com](http://www.cortexo.com)

Physical Address

Cortexo Ltd.
Level 1, 93 Manchester St
Christchurch
NEW ZEALAND

Postal Address

Cortexo Ltd.
P.O. Box 714
Christchurch, 8140
NEW ZEALAND

Contact Us

Phone +64 3 961 1731
info@cortexo.com

